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Commerce, Science, and Transportation
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"HOW MERGERS IN THE NATION'S AGRICULTURAL INDUSTRY IMPACT CONSUMERS"

Mr. Chairman, members of the Committee, for the record I am Chase Hibbard. I am a 4th generation cattle and sheep rancher from Helena, Montana. Our ranch is located 40 miles, as the crow flies, Southwest of Great Falls.

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I am a state legislator having served four terms, I currently serve as the President of the Montana Wool Growers Association which represents about 2,000 Montana sheep producers. I also serve on the Board of Directors of the American Sheep Industry Association.

Survival in animal agriculture is vital to the economic well being of my family, the dozen or so people we employ, and thousands of other Montanans. I have been the President of Sieben Live Stock Co., our family corporation for the past 23 years. During that time span we have seen $2.00 wool and $.50 wool, $.50 lambs and $1.00 lambs, $.45 calves and $1.01 calves. Market fluctuations are a fact of life in this business, always have been and probably always will be. Combined with the other risks of weather, disease, predators, insects, and a labor situation which is becoming increasingly difficult, this is a tough business!

There are so many forces contributing to the precarious economic situation we are in it is difficult to focus upon any single area or topic as the most significant factor. It is even difficult to assign relative importance to the numerous forces at work.

In my opinion, probably one of the more significant problems currently facing us stems from the "free-trade-world-economy". Of equal importance is the strength of the U.S. dollar which makes imports cheap and exports expensive.

Under a “free-trade-world-economy” production flows to whomever can produce the most economically and distribute their product, no matter where they are located in the world. In Montana, and for that matter most of the United States, production costs are high on a worldwide comparative basis. Currently the strength of the U.S. dollar is making imports cheap and exports expensive. This puts us in a very noncompetitive situation. We have painfully experienced this in the sheep business over the past couple of years as Australian and New Zealand lambs have undercut our market price by over 40%.

I would like to focus on the sheep business which is a shadow of its former self. Here in Montana our sheep numbers are down to under 300,000 head of breeding ewes. Approximately five years ago there were nearly 550,000. Sheep numbers are down 25-35% nationwide in the same time period. As previously discussed there are a number of reasons why and it is difficult to point one’s finger at any single specific cause.

Today’s subject matter is mergers in the agricultural industry and how they ultimately impact the consumer. I view this topic with mixed feelings. Mergers and acquisitions are a reality in today’s economy. Getting bigger and more efficient may be what it takes to survive.

From an agricultural perspective “concentration” in the meat packing industry has been a subject that has received much attention. There is little doubt that concentration has occurred and theory holds that you need a certain critical mass of competitive concerns in order to have an efficient marketplace. The number of processors has most likely dropped below that critical mass requirement. The political problem that is presented is proving that collusion exists. It seems as though there have been many attempts to address collusion, but to my knowledge, it has yet to be proven. It may never be proven, but the lack of competition definitely leads to a less efficient marketplace, meaning less choices for us who market our products, probably lower prices, and less competition may well result in fewer choices and higher prices to consumers as well.

How mergers in the agricultural industry ultimately impact consumers is a difficult call. On one hand, this same “free-market-world-economy” that is making our business more difficult should, in theory, be delivering products to the consumer at reduced prices. If it is not, then there are some extra-ordinary profits being made somewhere in the middle. The possibility arises that fewer competing firms producing, processing, marketing, and delivering products could lead to less-efficient competition and higher ultimate prices to the consumer.

I really do not know if these so called efficiencies achieved through merger pass on to the consumer. I doubt the primary wholesale producer sees better prices, probably in fact receives poorer prices. In the sheep industry, it did not appear that with foreign product undercutting our market that prices ever came down much at the retail, consumer level.

I really do view the subject of today's hearing with mixed feelings. Mergers are a fact of life and a necessity to survive in today's economic environment. That is not necessarily a good thing for those of us in primary production particularly with family farms. On the other hand we must do everything we can to survive and the world economy will dictate that production flows to the most efficient. In that case, merging or getting bigger may be a smart choice, or perhaps even the only choice. I do not know if the ultimate benefit does in fact flow to the consumer.

The economic forces at hand are strong ones. They will continue upon their present course. Monitoring and vigilance by government may be necessary in order to determine the ultimate impact upon consumers.

Thank you for your time and consideration.